



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS
AUDIT EXAMINATION OF THE
CALLOWAY COUNTY CLERK**

Calendar Year 1999

**EDWARD B. HATCHETT, JR.
AUDITOR OF PUBLIC ACCOUNTS
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EXECUTIVE SUMMARY
CALLOWAY COUNTY
RAY COURSEY, JR., COUNTY CLERK
CALENDAR YEAR 1999
FEE AUDIT

Description of Office:

The office of the County Clerk is mandated and regulated by state laws and regulations. The office of the County Clerk has been charged with the responsibility of licensing all motor vehicles and boats, collecting sales and property taxes on the same, registering voters, tabulating election results, and recording all manner of deeds, real estate and chattel mortgages as well as a myriad of other recordings. The County Clerk is also responsible for the collection of delinquent taxes and fees on delinquent tax bills received from the County Sheriff each year.

Audit Results:

The auditor has issued an unqualified opinion on the Calloway County Clerk's financial statement for the period January 1, 1999 through December 31, 1999. An unqualified opinion is an opinion issued when the auditor, based on the audit work performed, believes the financial statements of the auditee are presented fairly in all material respects.

Excess Fees:

The County Clerk paid \$219,059 of excess fees to the Calloway County Fiscal Court for calendar year 1999. The payment would have been larger had not the County Clerk paid fiscal court obligations of \$24,802 for the employer's matching share of social security.

Report Comment and Recommendation:

The County Clerk Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$163,086 To Protect Deposits

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Edward B. Hatchett, Jr.
Auditor of Public Accounts

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
Finance and Administration Cabinet
Mike Haydon, Secretary, Revenue Cabinet
Honorable Larry Elkins, Calloway County Judge/Executive
Honorable Ray Coursey, Jr., Calloway County Clerk
Members of the Calloway County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Calloway County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the County Clerk. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk's office is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the receipts, disbursements, and excess fees of the County Clerk for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky
Honorable Paul E. Patton, Governor
John P. McCarty, Secretary
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Honorable Ray Coursey, Jr., Calloway County Clerk
Members of the Calloway County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following area of noncompliance:

- The County Clerk Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$163,086 To Protect Deposits

In accordance with Government Auditing Standards, we have also issued a report dated August 15, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a stylized flourish at the end.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 15, 2000

CALLOWAY COUNTY
 RAY COURSEY, JR., COUNTY CLERK
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES

Calendar Year 1999

Receipts

State Grant		\$	13,249
State Fees For Services			17,376
Fiscal Court			33,603
Licenses and Taxes:			
Motor Vehicle-			
Licenses and Transfers	\$	688,987	
Usage Tax		2,983,379	
Tangible Personal Property Tax		2,022,910	
Licenses-			
Fish and Game		9,256	
Marriage		9,936	
Occupational		189	
Other		6,203	
Deed Transfer Tax		79,089	
Delinquent Tax		99,168	5,899,117
Fees Collected for Services:			
Recordings-			
Deeds, Easements, and Contracts	\$	22,287	
Real Estate Mortgages		39,952	
Chattel Mortgages and Financing Statements		19,141	
Powers of Attorney		1,709	
All Other Recordings		108,693	
Charges for Other Services-			
Certifications		2,470	
Candidate Filing Fees		116	
Copywork		10,863	205,231
Other:			
Postage	\$	1,623	
Miscellaneous		2,943	4,566
Interest Earned			6,097
Gross Receipts (Carried Forward)		\$	6,179,239

CALLOWAY COUNTY
 RAY COURSEY, JR., COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1999
 (Continued)

Gross Receipts (Brought Forward) \$ 6,179,239

Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 519,201	
Usage Tax	2,889,856	
Tangible Personal Property Tax	646,273	

Licenses-

Fish and Game	8,391	
Delinquent Tax	15,438	
Legal Process Tax	30,120	
Candidate Filing Fees	60	\$ 4,109,339

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 187,301	
Delinquent Tax	13,789	
Deed Transfer Tax	75,115	
Occupational Licenses	119	276,324

Payments to Other Districts:

Tangible Personal Property Tax	\$ 1,105,130	
Delinquent Tax	41,983	1,147,113

Payments to Sheriff 2,734

Payments to County Attorney 14,835

Operating Disbursements:

Personnel Services-

Deputies Salaries	\$ 231,191
Part-Time Salaries	48,979

Employee Benefits-

Employer's Share Social Security	24,802
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Materials and Supplies-

Office Equipment-State Grant	13,249
Office Supplies	3,265
Cleaning Services	2,615

RAY COURSEY, JR., COUNTY CLERK
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES
 Calendar Year 1999
 (Continued)

Disbursements (Continued)

Operating Disbursements:
 (Continued)

Other Charges-		
Conventions and Travel	\$	3,356
Dues		1,000
Postage		25
Refunds		8,726
Bad Debts		3,010
		<u>\$ 340,218</u>
Total Disbursements		<u>\$ 5,890,563</u>
Net Receipts	\$	288,676
Less: Statutory Maximum		<u>66,017</u>
Excess Fees	\$	222,659
Less: Expense Allowance		<u>3,600</u>
Excess Fees Due County for Calendar Year 1999	\$	219,059
Payments to County Treasurer - March 31, 2000		<u>219,059</u>
Balance Due at Completion of Audit	\$	<u><u>0</u></u>

The accompanying notes are an integral part of the financial statement.

CALLOWAY COUNTY
NOTES TO FINANCIAL STATEMENT

December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statement has been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance Officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when a revenue and the related asset can be associated with a corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.28 percent.

CALLOWAY COUNTY
 NOTES TO FINANCIAL STATEMENT
 December 31, 1999
 (Continued)

Note 2. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement Systems' annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the County Clerk and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. The County Clerk entered into a written agreement with the depository institution and met requirements (a), (b), and (c) stated above. However, as of December 9, 1999, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$163,086 of public funds uninsured and unsecured.

The county official's deposits are categorized below to give an indication of the level of risk assumed by the county official as of December 9, 1999.

	<u>Bank Balance</u>
Collateralized with securities held by pledging depository institution in the county official's name	\$ 280,000
Uncollateralized and uninsured	<u>163,086</u>
Total	<u><u>\$ 443,086</u></u>

Note 4. Grant

The County Clerk received a local records microfilming grant from the Kentucky Department for Libraries and Archives in the amount of \$15,859. The fund balance as of January 1, 1999 was \$13,220. Receipts of interest, in the amount of \$29 were received during calendar year 1999. All funds, totaling \$13,249, were expended during calendar year 1999. The grant account was closed in March 1999. The grant balance as of December 31, 1999 was \$0.

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COMMENT AND RECOMMENDATION

CALLOWAY COUNTY
RAY COURSEY, JR., COUNTY CLERK
COMMENT AND RECOMMENDATION

Calendar Year 1999

The County Clerk Should Have Required Depository Institutions To Pledge Or Provide Additional Collateral Of \$163,086 To Protect Deposits

On December 9, 1999, \$163,086 of the County Clerk's deposits of public funds in depository institutions were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with Federal Deposit Insurance Corporation insurance, equals or exceeds the amount of public funds on deposit at all times. We recommend that the County Clerk require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times.

County Clerk's Response Submitted By Assistant:

Clerk contracted with financial institution to secure deposits above federal insurance level. Clerk will notify financial institution of said institution's obligation and failure to honor the contractual agreement.

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REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENT
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Edward B. Hatchett, Jr.
Auditor of Public Accounts

Honorable Larry Elkins, Calloway County Judge/Executive
Honorable Ray Coursey, Jr., Calloway County Clerk
Members of the Calloway County Fiscal Court

Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the Calloway County Clerk's financial statement as of December 31, 1999, and have issued our report thereon dated August 15, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Calloway County Clerk's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Calloway County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

Honorable Larry Elkins, Calloway County Judge/Executive
Honorable Ray Coursey, Jr., Calloway County Clerk
Members of the Calloway County Fiscal Court
Report On Compliance And On Internal Control
Over Financial Reporting Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management and is not intended to be and should not be used by anyone other than the specified party. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ed Hatchett", with a long horizontal flourish extending to the right.

Edward B. Hatchett, Jr.
Auditor of Public Accounts

Audit fieldwork completed -
August 15, 2000

